

How to Create a Financial Plan

from the Editor's Desk

A financial plan is a blueprint for handling all aspects of your finances. It includes budgeting, saving, spending, credit, and investing. If you plan well, you will do better financially. If you do not plan well, you might find yourself living from paycheck to paycheck, struggling to make ends meet. There is a saying – “If you fail to plan, you plan to fail.” This holds true for your finances as well.

Creating a financial plan for your family is not as hard as you may think. If you follow the five {5} steps below, you will find your finances a great deal easier to handle.

Your plan will be better organized and more successful if you write your plan using the following process:

1. **Set SMART goals.** This is the first step and possibly one of the most important. The goal you want gives direction to the rest of the steps in the process. Failure here will have an adverse effect on your plan. The most effective goals are those that are clearly defined and valuable to you. A smart goal is a goal that is:

Specific - avoid an abstract goal or one that's too big. Make your goal clear with defined details.

Measurable – Again avoid the abstract. Put a tangible safeguard in place so that you can monitor your progress.

Attainable – Make sure your goal is actually something you can achieve without counting on unreliable sources such as luck.

Realistic - Be sure to take your circumstances into consideration when you set your goal. Make sure the planned outcome matches the steps of the plan.

Time-Bound – This is your system of checks and balances. If you fail to put a time measure in place, how will you know when you have achieved your goal?

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3. **Evaluate your situation.** Take careful stock of your present financial situation. Write down all sources of your income. Next, list all your expenses – daily, weekly, monthly, etc... Knowing this information gives you a clear idea of where you are financially. Your financial resources will directly impact your SMART goal.
4. **Develop a Plan.** Look back at the SMART goal you created in Step One. Now look at the financial record you created in Step Two. Do you have enough money to make your goal? If you do, congratulate yourself and move on to Step Four. If you do not – review your financial record. Can you make any cutbacks? Can you reduce your spending or increase your income? If so, make necessary adjustments and proceed to Step Four. If not, go back to your SMART goal and revise it, so that it is realistic and attainable within the time frame you've chosen. Then proceed to Step Four.
5. **Work Your Plan.** This is the step that requires the most discipline. You have already made sure that your plan is achievable. The only thing left to do is for you to do it. Make it happen. If it helps, share your goal and plan with a close friend who will hold you

accountable. This way when you get weak and want to spend what you should save, your friend will be there to help you remain strong.

6. **Monitor and Modify the Plan as Needed.** Even if you think you have created the perfect plan, keep in mind that you may need to make changes. Circumstances change, needs change and/or your resources may change and you will need to adjust your plan accordingly. Good and bad things may happen that make adjusting your plan necessary.

As a single parent you already know to prepare for and expect the unexpected. So, just be ready. Remain flexible. Remember, the purpose of developing a financial plan is to create a blueprint for your finances. Instead of aimlessly spending and trying to survive from one paycheck to the next, you will have a plan for where you want to be tomorrow as well as a plan for how you will get there.